

Exhibit 7

LEHMAN BROTHERS HOLDINGS INC. PLAN TRUST

1271 AVENUE OF THE AMERICAS
NEW YORK, NY 10020
646 285-9000

10-K

10-K
Filed on 02/26/2004 – Period: 11/30/2003
File Number 001-09466



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934** for the fiscal year ended November 30, 2003

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission File Number 1-9466

Lehman Brothers Holdings Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3216325

(I.R.S. Employer Identification No.)

**745 Seventh Avenue
New York, New York**

(Address of principal executive offices)

10019

(Zip Code)

Registrant's telephone number, including area code: (212) 526-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.10 par value	New York Stock Exchange Pacific Exchange
Depository Shares representing 5.94% Cumulative Preferred Stock, Series C	New York Stock Exchange
Depository Shares representing 5.67% Cumulative Preferred Stock, Series D	New York Stock Exchange
Depository Shares representing Fixed/Adjustable Rate Cumulative Preferred Stock, Series E	New York Stock Exchange
Depository Shares representing 6.50% Cumulative Preferred Stock, Series F	New York Stock Exchange
Depository Shares representing Floating Rate Cumulative Preferred Stock, Series G	New York Stock Exchange
8% Trust Preferred Securities, Series I, of Subsidiary Trust (and Registrant's guarantee thereof)	New York Stock Exchange
7.875% Trust Preferred Securities, Series J, of Subsidiary Trust (and Registrant's guarantee thereof)	New York Stock Exchange
6.375% Trust Preferred Securities, Series K, of Subsidiary Trust (and Registrant's guarantee thereof)	New York Stock Exchange
6.375% Trust Preferred Securities, Series L, of Subsidiary Trust (and Registrant's guarantee thereof)	New York Stock Exchange
Guarantee by Registrant of 7 5/8% Notes due 2006 of Lehman Brothers Inc.	New York Stock Exchange
6% Yield Enhanced Equity Linked Debt Securities Due May 25, 2005, Performance Linked to LSI Logic Corporation (LSI) Common Stock	American Stock Exchange
10 Uncommon Values Index Basket Adjusting Structured Equity Securities Notes Due 2004	American Stock Exchange
10 Uncommon Values Index Basket Adjusting Structured Equity Securities Notes, Series B, Due 2004	American Stock Exchange
10 Uncommon Values Index Risk Adjusting Equity Range Securities Plus Notes Due July 2, 2004	American Stock Exchange
10 Uncommon Values Index Stock Upside Note Securities Notes Due July 3, 2004	American Stock Exchange
10 Uncommon Values Index Stock Upside Note Securities Notes Due July 2, 2005	American Stock Exchange
21.68% Risk Adjusting Equity Range Securities Due February 7, 2005, Performance Linked to Cray Inc. (CRAY) Common Stock	American Stock Exchange
17.00% Risk Adjusting Equity Range Securities due February 24, 2005, Performance Linked to Advanced Digital Information Corporation (ADIC) Common Stock	American Stock Exchange
Dow Jones Industrial Average 112.5% Minimum Redemption PrincipalPlus Stock Upside Note Securities Due August 5, 2007	American Stock Exchange
Dow Jones Industrial Average Stock Upside Note Securities Due April 29, 2010	American Stock Exchange
Dow Jones Internet Index Stock Upside Note Securities Due November 10, 2004	American Stock Exchange
NASDAQ-100 Index 109% Minimum Redemption Stock Upside Note Securities Due April 26, 2004	American Stock Exchange
NASDAQ-100 Index Rebound Risk Adjusting Equity Range Securities Notes Due May 20, 2007	American Stock Exchange
Nikkei 225 Index SUNS Stock Upside Note Securities Due June 10, 2010	American Stock Exchange
Notes due November 14, 2007-Performance Linked to Pfizer Inc. (PFE) Common Stock	American Stock Exchange
Prudential Research Universe Diversified Equity Notes Due December 29, 2004	American Stock Exchange
Prudential Research Universe Diversified Equity Notes Due July 2, 2006, Linked to a Basket of Healthcare Stocks	American Stock Exchange
S&P 500 Index Stock Upside Note Securities Due April 30, 2005	American Stock Exchange
S&P 500 Index Stock Upside Note Securities Due December 26, 2006	American Stock Exchange
S&P 500 Index Stock Upside Note Securities Due February 5, 2007	American Stock Exchange
S&P 500 Index Stock Upside Note Securities Due September 27, 2007	American Stock Exchange
S&P 500 Index Stock Upside Note Securities Due August 5, 2008	American Stock Exchange
S&P 500 Index Callable Stock Upside Note Securities due November 6, 2009	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of the voting and nonvoting common equity held by non-affiliates of the Registrant at May 30, 2003 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$16,707,991,000. As of that date, 233,254,102 shares of the Registrant's Common Stock, \$0.10 par value per share, were held by non-affiliates. For purposes of this information, the outstanding shares of Common Stock that were and that may be deemed to have been beneficially owned by directors and executive officers of the Registrant were deemed to be shares of common stock held by affiliates at that date.

As of February 13, 2004, 277,256,627 shares of the Registrant's Common Stock, \$.10 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

- (1) Lehman Brothers Holdings Inc. 2003 Annual Report to Stockholders (the "2003 Annual Report")—Incorporated in part in Parts I, II and IV.
 - (2) Lehman Brothers Holdings Inc. Definitive Proxy Statement for its 2004 Annual Meeting of Stockholders (the "Proxy Statement")—Incorporated in part in Parts III and IV.
-

TABLE OF CONTENTS

<u>AVAILABLE INFORMATION</u>	2
<u>PART I</u>	
<u>ITEM 1. BUSINESS</u>	3
<u>ITEM 2. PROPERTIES</u>	13
<u>ITEM 3. LEGAL PROCEEDINGS</u>	14
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	26
<u>PART II</u>	
<u>ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u>	26
<u>ITEM 6. SELECTED FINANCIAL DATA</u>	26
<u>ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	26
<u>ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	26
<u>ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	26
<u>ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	26
<u>ITEM 9A. CONTROLS AND PROCEDURES</u>	27
<u>PART III</u>	
<u>ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT</u>	27
<u>ITEM 11. EXECUTIVE COMPENSATION</u>	27
<u>ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	28
<u>ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	29
<u>ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	29
<u>PART IV</u>	
<u>ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K</u>	30
<u>SIGNATURES</u>	34
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE</u>	F-1
<u>SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT</u>	F-2
<u>EXHIBIT INDEX</u>	
EXHIBITS	

2003

FINANCIAL REPORT

33 [Management's Discussion and Analysis of Financial Condition and Results of Operations](#)33 [Certain Factors Affecting Results of Operations](#)34 [Executive Overview](#)36 [Results of Operations](#)40 [Segments](#)46 [Geographic Diversification](#)47 [Liquidity, Funding and Capital Resources](#)53 [Summary of Contractual Obligations and Commitments](#)56 [Off-Balance Sheet Arrangements](#)58 [Risk Management](#)61 [Critical Accounting Policies and Estimates](#)65 [New Accounting Developments](#)65 [Effects of Inflation](#)66 [Report of Independent Auditors](#)67 [Consolidated Financial Statements](#)73 [Notes to Consolidated Financial Statements](#)107 [Selected Financial Data](#)108 [Other Stockholder Information](#)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Lehman Brothers Holdings Inc. ("Holdings") and subsidiaries (collectively, the "Company" or "Lehman Brothers") is a leading financial services firm that provides investment banking and capital markets facilitation to a global client base. The Company's business activities are divided into three segments: Investment Banking, Capital Markets and Client Services. The investment banking industry is significantly influenced by worldwide economic conditions as well as other factors inherent in the global financial markets. As a result, revenues and earnings may vary from quarter to quarter and from year to year.

Forward-Looking Statements

investment grade municipal securities compared with \$4.4 billion at November 30, 2002. The Company's obligations under such liquidity commitments generally are less than one year and are further limited because the Company's obligations cease if the underlying assets are downgraded below investment grade or default.

At November 30, 2003 and 2002, the Company was contingently liable for \$913 million and \$835 million, respectively, of letters of credit primarily used to provide collateral for securities and commodities borrowed and to satisfy margin deposits at option and commodity exchanges.

At November 30, 2003 and 2002, the Company had private equity commitments of approximately \$382 million and \$672 million, respectively. The Company's private equity commitment of \$382 million at November 30, 2003 will be funded as required through the end of the respective investment periods. In addition, the Company was committed to invest up to \$170 million in an energy-related principal investment at November 30, 2003.

In the normal course of business, the Company provides guarantees to securities clearinghouses and exchanges. These guarantees are generally required under the standard membership agreements, such that members are required to guarantee the performance of other members. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's obligation under such guarantees could exceed the collateral amounts posted; however, the potential for the Company to be required to make payments under such guarantees is deemed remote.

In connection with certain asset sales and securitization transactions, the Company often makes representations and warranties about the assets conforming to specified guidelines. If it is later determined the underlying assets fail to conform to the specified guidelines, the Company may have an obligation to repurchase the assets or indemnify the purchaser against any losses. To mitigate these risks, to the extent the assets being securitized may have been originated by other third parties, the Company seeks to obtain appropriate representations and warranties from these third parties upon acquisition of such assets.

Litigation

In the normal course of business the Company has been named a defendant in a number of lawsuits and other legal and regulatory proceedings. Such proceedings include actions brought against the Company and others with respect to transactions in which the Company acted as an underwriter or financial advisor, actions arising out of the Company's activities as a broker or dealer in securities and commodities and actions brought on behalf of various classes of claimants against many securities firms, including the Company. Although there can be no assurance as to the ultimate outcome, the Company generally has denied, or believes it has a meritorious defense and will deny, liability in all significant cases pending against it, and it intends to defend vigorously each such case. After considering all relevant facts and established reserves, in the opinion of the Company, such litigation will not, in the aggregate, have a material adverse effect on the Company's consolidated financial position or cash flows, but may be material to the Company's operating results for any particular period, depending on the level of income for such period.

Concentrations of Credit Risk

As a leading global investment bank, the Company is actively involved in securities underwriting, brokerage, distribution and trading. These and other related services are provided on a worldwide basis to a large and diversified group of clients and customers, including multi-national corporations, governments, emerging growth companies, financial institutions and individual investors.

A substantial portion of the Company's securities and commodities transactions are collateralized and are executed with, and on behalf of, commercial banks and other institutional investors, including other brokers and dealers. The Company's exposure to credit risk associated with the non-performance of these customers and counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile or illiquid trading markets, which may impair the ability of customers and counterparties to satisfy their obligations to the Company.

Securities and other inventory positions owned by the Company include U.S. government and agency securities, and securities issued by non-U.S. governments, which in the aggregate, represented 11% of the Company's total assets at November 30, 2003. In addition, collateral held by the Company for resale agreements represented approximately 28% of total assets at November 30, 2003, and primarily consisted of securities issued by the U.S. government, federal agencies or non-U.S.

governments. The Company's most significant industry concentration is financial institutions, which includes other brokers and dealers, commercial banks and institutional clients. This concentration arises in the normal course of the Company's business.

Lease Commitments

The Company leases office space and equipment throughout the world. Total rent expense for 2003, 2002 and 2001 was \$136 million, \$148 million and \$98 million, respectively. Certain leases on office space contain escalation clauses providing for additional payments based on maintenance, utility and tax increases.

Minimum future rental commitments under non-cancelable operating leases (net of subleases of \$99 million) are as follows:

MINIMUM FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASE AGREEMENTS

IN MILLIONS

Fiscal 2004	\$	185
Fiscal 2005		179
Fiscal 2006		169
Fiscal 2007		161
Fiscal 2008		158
December 1, 2008 and thereafter		1,314
Total	\$	<u>2,166</u>

Included in the previous table are rental commitments of approximately \$652 million associated with properties that have been or will be vacated resulting from the Company's decision to exit certain of its New York City facilities (resulting from occupancy actions taken after the events of September 11th), and the consolidation of certain U.S. and foreign branches (See Note 21 for additional information regarding the September 11th and Real Estate Related Charges).

The Company entered into a lease for its new European headquarters at Canary Wharf in London. This lease qualifies for capital lease treatment under SFAS No. 13 "Accounting for Leases." The Company's lease at Canary Wharf expires in September 2033.

MINIMUM FUTURE COMMITMENTS UNDER THE CAPITAL LEASE AGREEMENT

IN MILLIONS

Fiscal 2004	\$	—
Fiscal 2005		53
Fiscal 2006		54
Fiscal 2007		54
Fiscal 2008		54
December 1, 2008 and thereafter		2,446
Total minimum lease payments		2,661
Less: Amounts of these payments that represent interest		1,681
Present value of future minimum capital lease payments	\$	<u>980</u>

NOTE 12 PREFERRED SECURITIES SUBJECT TO MANDATORY REDEMPTION

At November 30, 2003, the Company owned the residual equity of four Delaware business trusts that had issued an aggregate liquidation value of \$1,310 million of capital securities. The trusts were formed for the purpose of: (a) issuing trust securities representing ownership interests in the assets of the trust; (b) investing the gross proceeds of the trust securities in junior subordinated debentures of the Company; and (c) engaging in activities necessary or incidental thereto. Loans from the trusts to the Company represented by the junior subordinated debentures are eliminated in consolidation. Dividends on the trust preferred securities are presented on a basis consistent with minority interest in the income of subsidiaries and are shown as a reduction to the Company's income from continuing operations, net of tax. Preferred securities subject to mandatory redemption are comprised of the following issues:

IN MILLIONS NOVEMBER 30

	2003	2002
Lehman Brothers Holdings Capital Trust I	\$ 325	\$ 325
Lehman Brothers Holdings Capital Trust II	385	385
Lehman Brothers Holdings Capital Trust III	300	—
Lehman Brothers Holdings Capital Trust IV	300	—

The following table summarizes the financial structure of each such trust at November 30, 2003:

	Holdings Capital Trust I	Holdings Capital Trust II	Holdings Capital Trust III	Holdings Capital Trust IV
TRUST SECURITIES				
Issuance date	January 1999	April 1999	March 2003	October 2003
Preferred securities issued	13,000,000 Series I	15,400,000 Series J	12,000,000 Series K	12,000,000 Series L
Liquidation preference per security	\$ 25	\$ 25	\$ 25	\$ 25
Liquidation value (in millions)	\$ 325	\$ 385	\$ 300	\$ 300
Coupon rate	8%	7.88%	6.38%	6.38%
Distributions payable	Quarterly	Quarterly	Quarterly	Quarterly
Distributions guaranteed by	Holdings	Holdings	Holdings	Holdings
Mandatory redemption date	March 31, 2048	June 30, 2048	March 15, 2052	October 31, 2052
Redeemable by issuer on or after	March 31, 2004	June 30, 2004	March 15, 2008	October 31, 2008
JUNIOR SUBORDINATED DEBENTURES				
Principal amount outstanding (in millions)	\$ 325	\$ 385	\$ 300	\$ 300
Coupon rate	8%	7.88%	6.38%	6.38%
Interest payable	Quarterly	Quarterly	Quarterly	Quarterly
Maturity date	March 31, 2048	June 30, 2048	March 15, 2052	October 31, 2052
Redeemable by issuer on or after	March 31, 2004	June 30, 2004	March 15, 2008	October 31, 2008

The Company anticipates de-consolidating the trusts that issue Preferred securities subject to mandatory redemption upon adoption of FIN 46, effective as of February 29, 2004. The de-consolidation will have the effect of reclassifying such preferred securities subject to mandatory redemption out of the mezzanine classification of the Company's Consolidated Statement of Financial Condition and into Long-Term Debt. Likewise, the Company will reclassify, on a prospective basis, the pretax amount of dividends on such preferred securities to Interest expense in the Company's results of operations.

NOTE 13 PREFERRED STOCK

Holdings is authorized to issue a total of 38,000,000 shares of preferred stock. At November 30, 2003, Holdings had 728,000 shares issued and outstanding under various series as described below. All preferred stock has a dividend preference over Holdings' common stock in the paying of dividends and a preference in the liquidation of assets.

Series C

On May 11, 1998, Holdings issued 5,000,000 Depositary Shares, each representing 1/10th of a share of 5.94% Cumulative Preferred Stock, Series C ("Series C Preferred Stock"), \$1.00 par value. The shares of Series C Preferred Stock have a redemption price of \$500 per share, together with accrued and unpaid dividends. Holdings may redeem any or all of the outstanding shares of Series C Preferred Stock beginning on May 31, 2008. The \$250 million redemption value of the shares outstanding at November 30, 2003 is classified in the Consolidated Statement of Financial Condition as a component of Preferred stock.

Series D

On July 21, 1998, Holdings issued 4,000,000 Depositary Shares, each representing 1/100th of a share of 5.67% Cumulative Preferred Stock, Series D ("Series D Preferred Stock"), \$1.00 par value. The shares of Series D Preferred Stock have a redemption price of \$5,000 per share, together with accrued and unpaid dividends. Holdings may redeem any or all of the outstanding shares of Series D Preferred Stock beginning on August 31, 2008. The \$200 million redemption value of the shares outstanding at November 30, 2003 is classified in the Consolidated Statement of Financial Condition as a component of Preferred stock.

Series E